Federal Sequestration & Utah's Economy

As we begin the beginning of federal government sequestration, many economic pundits believe the economy will slow over the spring and summer months, affecting state economies as well. There will probably be some setback to Utah's growth momentum as we move toward the fall months, but economic recovery will still remain intact. The summer months should be just a pause in the pace of Utah economic recovery. The sequestration this year, combined with the end of the payroll tax holiday as well as tax revenue increases and spending cuts included in the fiscal cliff and debt limit deals, will shave around 1.5 percentage points off potential U.S. GDP growth. This slowing will trickle down to Utah.

Utah's employment growth rebound from the recession has been much better than most states, as employment gains have flirted with 4.0 percent growth through the first three months of 2013. But the Bureau of Labor Statistics' Utah employment estimate showed growth on an annual basis slipping from that 4.0-percent range in March to 3.5 percent in April. There will probably be more slippage as the summer months progress, but we do not expect to see annual employment growth fall below 3.0 percent in Utah.

Those who opine on the national economy feel this sequestration and fiscal restraint will ease by this year's fourth quarter and that a strong housing market rebound will help lead GDP growth to a higher level in 2014. Though in Utah we expect the growth rate to weaken with some fluctuation as we move through the remainder of this year, for calendar year 2013 growth should be around 3.4 percent, largely matching 2012's growth rate of 3.3 percent. A better year is expected for 2014 with employment growth forecast around 3.8 percent.

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